



# **EG INDUSTRIES BERHAD**

(222897-W)

(Incorporated in Malaysia)

## **Interim Financial Statements For The Financial Period Ended**

**31 March 2019**


**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 31 MARCH 2019**

	Note	<u>Individual Quarter</u>			<u>Cumulative Quarter</u>		
		<u>Unaudited</u>	<u>Unaudited</u>	Changes	<u>Unaudited</u>	<u>Unaudited</u>	Changes
		3 months ended			9 months ended		
		31.03.2019	31.03.2018	%	31.03.2019	31.03.2018	%
		RM'000	RM'000		RM'000	RM'000	
<b>Revenue</b>		<b>216,449</b>	<b>256,058</b>	-15.5%	<b>732,546</b>	<b>758,468</b>	-3.4%
Operating profit		11,188	14,288	-21.7%	40,227	47,176	-14.7%
Interest income		15	74	-79.7%	231	447	-48.3%
Interest expense		(1,984)	(1,934)	2.6%	(5,494)	(6,434)	-14.6%
Depreciation & amortisation		(7,413)	(8,182)	-9.4%	(23,516)	(24,701)	-4.8%
<b>Profit before tax</b>		<b>1,806</b>	<b>4,246</b>	-57.5%	<b>11,448</b>	<b>16,488</b>	-30.6%
Tax expense	B6	(50)	(41)	22.0%	(150)	(591)	-74.6%
<b>Profit for the period</b>		<b>1,756</b>	<b>4,205</b>	-58.2%	<b>11,298</b>	<b>15,897</b>	-28.9%
<b>Other comprehensive income / (expenses) for the period</b>							
Fair value of available-for-sale financial assets		(900)	(990)	-9.1%	(2,562)	(2,128)	20.4%
Foreign currency translation difference for foreign operations		1,973	(850)	>-100.0%	5,432	(2,001)	>-100.0%
		1,073	(1,840)	>-100.0%	2,870	(4,129)	>-100.0%
<b>Total other comprehensive income for the period</b>		<b>2,829</b>	<b>2,365</b>	19.6%	<b>14,168</b>	<b>11,768</b>	20.4%
<b>Profit attributable to:</b>							
Owners of the Company		1,756	4,205	-58.2%	11,298	15,897	-28.9%
Non-controlling Interest		-	-	-	-	-	-
<b>Profit for the period</b>		<b>1,756</b>	<b>4,205</b>	-58.2%	<b>11,298</b>	<b>15,897</b>	-28.9%
<b>Total comprehensive income attributable to:</b>							
Owners of the Company		2,829	2,365	19.6%	14,168	11,768	20.4%
Non-controlling Interest		-	-	-	-	-	-
<b>Total comprehensive income for the period</b>		<b>2,829</b>	<b>2,365</b>	19.6%	<b>14,168</b>	<b>11,768</b>	20.4%
Basic earnings per ordinary share (sen)	B15	0.66	1.72		4.24	6.51	
Diluted earnings per ordinary share (sen)	B15	0.55	1.39		3.56	5.27	

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Group's audited Financial Statements as at 30 June 2018. The accompanying notes are an integral part of this statement.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2019**

	Note	Unaudited as at 31.03.2019 RM'000	Audited as at 30.06.2018 RM'000
<b>Assets</b>			
Property, plant and equipment		193,949	167,206
Investment property		3,721	3,770
Other investments		14,313	6,738
Intangible asset		9,019	20,049
Deferred tax assets		1,497	1,493
<b>Total non-current assets</b>		<b>222,499</b>	<b>199,256</b>
Inventories		173,881	151,869
Trade and other receivables	B7	240,009	242,397
Current tax assets		2,102	1,279
Fixed deposits with licensed banks		18,960	18,822
Cash and bank balances		40,429	41,139
<b>Total current assets</b>		<b>475,381</b>	<b>455,506</b>
<b>Total assets</b>		<b>697,880</b>	<b>654,762</b>
<b>Equity</b>			
Share capital		106,315	102,080
Redeemable convertible preference shares – Equity component	B11	37,883	42,118
Treasury shares		(6,538)	-
Reserves		192,173	178,005
<b>Total equity attributable to shareholders of the Company</b>		<b>329,833</b>	<b>322,203</b>
Non-controlling interests		(361)	(361)
<b>Total equity</b>		<b>329,472</b>	<b>321,842</b>
<b>Liabilities</b>			
Loans and borrowings	B11	7,098	9,370
Redeemable convertible preference shares – Liability component	B11	3,353	4,025
Provision for retirement benefit		449	431
Deferred tax liabilities		121	121
<b>Total non-current liabilities</b>		<b>11,021</b>	<b>13,947</b>
Loans and borrowings	B11	189,599	174,480
Trade and other payables		166,985	143,690
Provisions		800	800
Current tax liabilities		3	3
<b>Total current liabilities</b>		<b>357,387</b>	<b>318,973</b>
<b>Total liabilities</b>		<b>368,408</b>	<b>332,920</b>
<b>Total equity and liabilities</b>		<b>697,880</b>	<b>654,762</b>
<b>Net assets per ordinary share (RM)</b>		<b>1.25</b>	<b>1.21</b>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's audited Financial Statements as at 30 June 2018. The accompanying notes are an integral part of this Statement of Financial Position.



**Interim Financial Statements for the Financial Period Ended 31 March 2019**

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THIRD QUARTER ENDED 31 MARCH 2019**

	←			Non-distributable			→			Minority Interest RM'000	Total equity RM'000
	Share capital RM'000	Equity component of RCPS RM'000	Treasury shares RM'000	Warrant reserve RM'000	Fair value reserve RM'000	Translation reserve RM'000	Capital reserve RM'000	Retained profit RM'000	Total RM'000		
<b>At 1 July 2018</b>	<b>102,080</b>	<b>42,118</b>	<b>-</b>	<b>26,836</b>	<b>(158)</b>	<b>8,537</b>	<b>28,558</b>	<b>114,232</b>	<b>322,203</b>	<b>(361)</b>	<b>321,842</b>
Foreign currency translation differences for foreign operations	-	-	-	-	-	5,432	-	-	5,432	-	5,432
Fair value of available-for-sale financial assets	-	-	-	-	(2,562)	-	-	-	(2,562)	-	(2,562)
Total other comprehensive (expenses)/ income for the period	-	-	-	-	(2,562)	5,432	-	-	2,870	-	2,870
Profit for the period	-	-	-	-	-	-	-	11,298	11,298	-	11,298
<b>Total comprehensive (expenses)/ income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,562)</b>	<b>5,432</b>	<b>-</b>	<b>11,298</b>	<b>14,168</b>	<b>-</b>	<b>14,168</b>
Issuance of ordinary shares pursuant to:-											
- conversion of redeemable convertible preference shares	4,235	(4,235)	-	-	-	-	-	-	-	-	-
Treasury shares acquired	-	-	(6,538)	-	-	-	-	-	(6,538)	-	(6,538)
<b>Total transactions with owners of the Company</b>	<b>4,235</b>	<b>(4,235)</b>	<b>(6,538)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,538)</b>	<b>-</b>	<b>(6,538)</b>
<b>At 31 March 2019 (Unaudited)</b>	<b>106,315</b>	<b>37,883</b>	<b>(6,538)</b>	<b>26,836</b>	<b>(2,720)</b>	<b>13,969</b>	<b>28,558</b>	<b>125,530</b>	<b>329,833</b>	<b>(361)</b>	<b>329,472</b>
<b>At 1 July 2017 (Restated)</b>	<b>104,086</b>	<b>-</b>	<b>(137)</b>	<b>22,628</b>	<b>1,058</b>	<b>11,457</b>	<b>28,462</b>	<b>96,022</b>	<b>263,576</b>	<b>(762)</b>	<b>262,814</b>
Foreign currency translation differences for foreign operations	-	-	-	-	-	(2,001)	-	-	(2,001)	-	(2,001)
Fair value of available-for-sale financial assets	-	-	-	-	(2,128)	-	-	-	(2,128)	-	(2,128)
Total other comprehensive income for the period	-	-	-	-	(2,128)	(2,001)	-	-	(4,129)	-	(4,129)
Profit for the period	-	-	-	-	-	-	-	15,897	15,897	-	15,897
<b>Total comprehensive (expense)/income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,128)</b>	<b>(2,001)</b>	<b>-</b>	<b>15,897</b>	<b>11,768</b>	<b>-</b>	<b>11,768</b>
Issuance of RCPS	-	50,246	-	-	-	-	-	-	50,246	-	50,246
Issuance of ordinary shares pursuant to:-											
- conversion of RCPS	1,799	(1,799)	-	-	-	-	-	-	-	-	-
Issuance of bonus shares	26,445	-	-	-	-	-	(26,445)	-	-	-	-
Capitalisation of right issue expenses	-	-	-	-	-	-	-	(2,018)	(2,018)	-	(2,018)
Resale of treasury shares	-	-	137	-	-	-	96	-	233	-	233
Dilution of interest arising from acquisition of additional equity interest in a subsidiary	-	-	-	-	-	-	-	(500)	(500)	500	-
<b>Total transactions with owners of the Company</b>	<b>28,244</b>	<b>48,447</b>	<b>137</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26,349)</b>	<b>(2,518)</b>	<b>47,961</b>	<b>500</b>	<b>48,461</b>
<b>At 31 March 2018 (Unaudited)</b>	<b>132,330</b>	<b>48,447</b>	<b>-</b>	<b>22,628</b>	<b>(1,070)</b>	<b>9,456</b>	<b>2,113</b>	<b>109,401</b>	<b>323,305</b>	<b>(262)</b>	<b>323,043</b>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's audited Financial Statements as at 30 June 2018. The accompanying notes are integral part of this statement.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THIRD QUARTER ENDED 31 MARCH 2019**

	<b>Unaudited 31.03.2019 RM'000</b>	<b>Unaudited 31.03.2018 RM'000</b>
<b>Cash flow from operating activities</b>		
Profit before tax	11,448	16,488
Adjustments for:		
Depreciation of property, plant and equipment	22,547	23,765
Depreciation of investment property	49	31
Amortisation of intangible assets	920	905
Interest expenses	5,494	6,434
Dividend income	(1)	(1)
Gain on disposal other investment	(1)	-
Gain on disposal of property, plant and equipment	(166)	(1)
Interest income	(231)	(447)
(Gain) / loss on foreign exchange, net - unrealised	249	1,376
Operating profit before working capital changes	40,308	48,550
Inventories	(19,285)	(4,308)
Trade and other receivables	5,544	16,448
Trade and other payables	20,886	(66,492)
<b>Cash generated from / (used in) operations</b>	<b>47,453</b>	<b>(5,802)</b>
Tax paid	(973)	2,032
Dividend received	1	1
<b>Net cash generated from / (used in) operating activities</b>	<b>46,481</b>	<b>(3,769)</b>
<b>Cash flow from investing activities</b>		
Acquisition of property, plant and equipment	(48,174)	(6,346)
Acquisition of intangible assets	(32)	(67)
Acquisition of treasury shares	(6,538)	-
Interest income	231	447
Proceeds from resale of treasury shares	-	233
Proceeds from issuance of RCPS	-	50,246
Payment of share issuance expenses	-	(2,018)
Proceeds from disposal of property, plant and equipment	1,990	26
<b>Net cash (used in) / generated from investing activities</b>	<b>(52,523)</b>	<b>42,521</b>
<b>Cash flows from financing activities</b>		
Drawdown / (repayment) of bank borrowing, net	17,685	(2,113)
Repayment of finance lease liabilities	(2,751)	(1,997)
Repayment of term loans	(2,758)	(2,695)
Dividend paid	(672)	-
Interest paid	(5,494)	(6,434)
Placement of fixed deposits	(138)	(3,219)
<b>Net cash generated from / (used in) financing activities</b>	<b>5,872</b>	<b>(16,458)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(170)</b>	<b>22,294</b>
Cash and cash equivalents at beginning of the period	41,139	17,976
Effect of exchange rates on cash and cash equivalents	(540)	16
<b>Cash and cash equivalents at end of the period</b>	<b>40,429</b>	<b>40,286</b>
<b>Cash and cash equivalents comprise the following :</b>		
Cash and bank balances	40,429	40,286
Bank overdraft	-	-
	<b>40,429</b>	<b>40,286</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements as at 30 June 2018. The accompanying notes are an integral part of this statement.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS****A. MFRS 134 – Interim Financial Reporting****A1. Basis of Preparation**

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Rule 9.22 and Appendix 9B of the Listing Requirements.

These condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2018. These explanatory notes, attached to the condensed consolidated interim financial statements, provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2018. The audited financial statements of the Group as at and for the year ended 30 June 2018 were prepared under Malaysian Financial Reporting Standards (MFRSs).

**A2. Significant Accounting policies**

The accounting policies and methods of computations used in the preparation of the financial statements are consistent with those adopted in the audited financial statements for the year ended 30 June 2018 except for the adoption of the following new and revised MFRSs:

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019**

- MFRS 16, *Leases*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features With Negative Compensation*
- Amendments to MFRS 128, *Investment in Associates and Joint Ventures – Long-term interest in Associates and Joint Ventures*
- IC Interpretation 23, *Uncertainty Over Income Tax Treatments*
- Amendments to MFRS 3 – *Business Combinations (Annual Improvements to MFRSs 2015 – 2017 Cycle)*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRSs 2015 – 2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRSs 2015 – 2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRSs 2015 – 2017 Cycle)*

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020**

- Amendments to MFRS 2, *Share-Based Payment*
- Amendment to MFRS 3, *Business Combinations*
- Amendments to MFRS 6, *Exploration for and Evaluation of Mineral Resources*
- Amendment to MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 134, *Interim Financial Reporting*
- Amendment to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*
- Amendment to MFRS 138, *Intangible Assets*
- Amendment to IC Interpretation 12, *Service Concession Arrangements*
- Amendment to IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendment to IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendment to IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to IC Interpretation 132, *Intangible Assets—Web Site Costs*



**A2. Significant Accounting policies (Cont’)**

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021**

- MFRS 17, *Insurance Contracts*

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed**

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Directors anticipate that the abovementioned Standards will be adopted in the annual financial statements of the Company when they become effective and that the adoption of these Standards will have no material impact on the financial statements of the Group in the period of initial application.

**A3. Audit Report**

The auditors’ report of the Group’s financial statements for the year ended 30 June 2018 was not subject to any qualification.

**A4. Seasonal or Cyclical Factors**

The business operations of the Group are subject to seasonal or cyclical factors that are common in the industry in which the Group operates in.

**A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There are no unusual items affecting assets, liabilities, equity, net income, and cash flows for the period under review.

**A6. Material changes in Estimates**

There was no material changes in estimates used in the preparation of the financial statements in the current quarter and financial period-to-date as compared to the preceding corresponding financial quarter.

**A7. Issuance of Equity or Debt Securities**

The number of issued share capital of the Company has increased by way of allotment and issuance of 1,357,500 new ordinary shares arising from conversion of redeemable convertible preference shares during the current financial period-to-date.

For the financial period ended 31 March 2019, the Company repurchase 6,373,500 of its issued share capital from the open market at an average price paid at RM0.47 per share. The total consideration paid was RM2,973,371 including transaction costs of RM5,742. As at 31 March 2019, the number of outstanding ordinary shares each in issue is 271,230,162. The Company held 13,840,300 of its shares as at 31 March 2019. The number of outstanding ordinary shares of RM0.50 each in issue after the set-off is 257,389,862.

Other than the above, there were no issuance and repayment of equity and debts securities, share cancellations and resale of treasury shares during the current financial period ended 31 March 2019.



**A8. Dividend Paid**

No dividend has been paid for the current financial quarter ended 31 March 2019.

**A9. Segmental Reporting**

The segment analysis for the Group's results as follows:

Segment for the Group	Individual Quarter Ended			Cumulative Quarter Ended		
	<u>Unaudited</u> 31.03.2019 RM'000	<u>Unaudited</u> 31.03.2018 RM'000	Change %	<u>Unaudited</u> 31.03.2019 RM'000	<u>Unaudited</u> 31.03.2018 RM'000	Change %
<b>Segment revenue</b>						
- Electronic Manufacturing Services	216,429	256,058	-15.5%	732,375	758,311	-3.4%
- Other	20	-	100%	171	157	8.9%
<b>Total Segment Revenue</b>	<b>216,449</b>	<b>256,058</b>	<b>-15.5%</b>	<b>732,546</b>	<b>758,468</b>	<b>-3.4%</b>
<b>Segment Result</b>						
- Electronic Manufacturing Services	2,085	4,471	-53.4%	11,965	17,648	-32.2%
- Other	(279)	(225)	24.0%	(517)	(1,160)	-55.4%
<b>Profit before tax</b>	<b>1,806</b>	<b>4,246</b>	<b>-57.5%</b>	<b>11,448</b>	<b>16,488</b>	<b>-30.6%</b>
<b>Segment assets</b>						
- Electronic Manufacturing Services	22,673	55,296	-59.0%	662,335	645,197	2.7%
- Other	(1,752)	(2,566)	-31.7%	35,545	35,531	0.04%
	<b>20,921</b>	<b>52,730</b>	<b>-60.3%</b>	<b>697,880</b>	<b>680,728</b>	<b>2.5%</b>

**A10. Valuation of Property, Plant and Equipment**

There were no valuation of property, plant and equipment during the current financial period ended 31 March 2019.

**A11. Material Subsequent Events**

There were no material events or transactions subsequent to the end of current financial period ended 31 March 2018.

**A12. Changes in the Composition of the Group**

There were no changes in the composition of the group for the current quarter and financial period-to-date.

**A13. Changes in Contingent Liabilities or Contingent Assets**

There were no material changes in contingent liabilities or contingent assets as at the end of the current financial period.





**A14. Capital Commitments**

There were no capital commitments as at the end of the current financial period.

**A15. Related party transactions**

Significant related party transactions of the Group are as follows: -

**Transactions with companies in which certain Directors have a substantial financial interest**

	<b>Unaudited As at 31.03.2019 RM'000</b>	<b>Audited As at 30.06.2018 RM'000</b>
Purchase of raw materials	2,279	2,102
Purchase of tooling	-	45
	<u>                    </u>	<u>                    </u>

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

**A16. Fair Value**

The Group use observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

	<b>Fair value of financial instruments carried at fair value</b>		<b>Fair value of financial instruments not carried at fair value</b>		<b>Total fair value</b>	<b>Carrying Amount</b>
	<b>Level 1 RM'000</b>	<b>Total RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31.03.2019</b>						
<b>Financial asset</b>						
Quoted shares	4,165	4,165	-	-	4,165	4,165
<b>Financial liabilities</b>						
Term loans – variable rate	-	-	(4,964)	(4,964)	(4,964)	(4,964)
Finance lease liabilities	-	-	(5,688)	(5,688)	(5,688)	(5,688)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	-	-	(10,652)	(10,652)	(10,652)	(10,652)

**A16. Fair Value (Cont')**

	Fair value of financial instruments carried at fair value		Fair value of financial instruments not carried at fair value		Total fair value RM'000	Carrying Amount RM'000
	Level 1	Total	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000		
<b>30.06.2018</b>						
<b>Financial asset</b>						
Quoted shares	6,738	6,738	-	-	6,738	6,738
<b>Financial liabilities</b>						
Term loans – variable rate	-	-	(7,642)	(7,642)	(7,642)	(7,642)
Finance lease liabilities	-	-	(8,663)	(8,663)	(8,663)	(8,439)
	-	-	(16,305)	(16,305)	(16,305)	(16,081)

There have been no transfers between any levels during the current quarter under review and the comparative period.



**B. ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF BURSA MALAYSIA LISTING REQUIREMENTS**

**B1. Review of Performance**

**Comparison between the current quarter (“Q3 2019”) and the preceding correspondence quarter (“Q3 2018”)**

For the current quarter ended 31 March 2019, the Group recorded revenue of RM216.4 million, a decrease of 15.5% as compared to RM256.1 million recorded in the previous year corresponding quarter. The decrease in revenue during the quarter was mainly due to decrease in total volume shipped for data storage products as the Group is in the midst of transferring several production lines from Malaysia to Thailand to support customer’s manufacturing plant in Thailand.

Correspondingly, the Group’s profit before tax for the current quarter decreased by 57.5% to RM1.8 million from RM4.2 million in previous year corresponding quarter due to lower revenue generated, increase in labour cost due to new minimum wage rate implemented on January 2019 and higher operating expenses incurred for the upcoming mass production of several new product models.

**Comparison between the current financial year-to-date and the preceding correspondence financial year-to-date**

In the financial year-to-date under review, the Group’s revenue decreased by 3.4% to RM732.5 million compared to the last year corresponding period of RM758.5 million. The decrease in revenue was mainly due to decrease in total overall volume shipped for data storage products and two of its existing high margin box build consumer electronics products have reach its End-of-Life (EOL) stage and to be replaced by new models.

Correspondingly, the Group’s profit before tax decreased by 30.6% or RM5.1 million to RM11.4 million from RM16.5 million in previous year corresponding period due to lower revenue generated, increase in labour cost due to new minimum wage rate implemented on January 2019 and higher operating expenses incurred for the upcoming mass production of several new product models.

**B2. Variation of Results against Preceding Quarter**

Description	3 <sup>rd</sup> Quarter 2019 RM’000	2 <sup>nd</sup> Quarter 2019 RM’000	Increase/ (Decrease)	
			RM’000	%
Revenue	216,449	259,447	(42,998)	-16.6%
Profit before tax	1,806	4,315	(2,509)	-58.1%
Profit after tax	1,756	4,265	(2,509)	-58.8%

Revenue for the current quarter was approximately RM216.4 million, decreased by RM43.0 million or 16.6% as compared to the immediate preceding quarter of RM259.4 million. The decrease in revenue during the quarter was mainly due to decrease in total volume shipped for data storage products.

Correspondingly, the Group’s profit before tax in the current quarter decreased to RM1.8 million from RM4.3 million in the immediate preceding quarter. The decrease in profit before tax was also due to increase in labour cost due to new minimum wage rate implemented on January 2019 and higher operating expenses incurred for the upcoming mass production of several new product models.



**B3. Prospect**

For financial year 2019, the Group expects to face continue challenges on the overall macro economy such as shortage of passive electronic components, fluctuation of US Dollar against Malaysia Ringgit, increase of minimum wage and foreign worker levy.

With the global manufacturing scene experiencing rapid technology advancement in recent years, the Group will adopt automation to optimise the workflow processes to enhance cost-efficiency and reduce the reliance on labour. The newly-acquired land and factory announced in September 2018 will be the Group's first fully automated manufacturing facility, where RM30 million CAPEX budget will be allocated in FY2019 to fund the purchase of automated machineries and equipment for the new plant. The acquisition has been completed on October 2018. This would increase the Group's factory land area by approximately 80% from 31,000 square metre (sq m) to 55,000 sq m altogether, estimated additional output of 10 million units of product per annum. The enlarged production capacity and enhanced capabilities would substantially increase the Group's ability to take on more jobs to sustain the growth momentum going forward.

On positive side, in light of the ongoing U.S-China trade war, the Group is getting more enquiries from several multinational companies. The Group believes that the on-going expansion plan is opportune and should place the Group on a higher place of growth.

Nevertheless, the Group will continue enhance the product mix to focus on high margin operations and at the same time constantly look for ways to improve the production efficiency to achieve more cost-savings.

Barring any unforeseen circumstances and adverse external economic factors, the Board of Directors is optimistic that the Group's financial performance for the financial year ending 30 June 2019 will remain positive.

**B4. Statement of the Board of Directors' opinion on achievement of forecast or target**

The disclosure requirements are not applicable for the current quarter and financial period-to-date.

**B5. Variance on Forecast Profit / Shortfall in Profit Guarantee**

The Group did not issue any profit forecast / profit guarantee for the current financial quarter.

**B6. Tax Expense**

	Individual Quarter Ended		Cumulative Quarter Ended	
	Unaudited 31.03.2019 RM'000	Unaudited 31.03.2018 RM'000	Unaudited 31.03.2019 RM'000	Unaudited 31.03.2018 RM'000
Current tax expense	100	341	600	1,341
Deferred tax income	(50)	(300)	(450)	(750)
Tax expense	50	41	150	591

The effective tax rate of the Group for the current quarter and year to date is lower than the statutory income tax rate mainly due to the availability of reinvestment allowance by a subsidiary and a foreign subsidiary was granted promotional privileges under the Investment Promotional Act B.E. 2520 for a period of 8 years.

**B7. Trade and other receivables**

The trade and other receivables of the Group were as follows:

	<b>Unaudited As at 31.03.2019 RM'000</b>	<b>Audited As at 30.06.2018 RM'000</b>
Trade	220,699	228,681
Non-trade	19,310	13,716
	240,009	242,397

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	<b>As at 31.03.2019 RM'000</b>	<b>As at 30.06.2018 RM'000</b>
Not past due	212,226	156,062
Past due 1 - 30 days	3,753	66,845
Past due 31 - 60 days	675	2,582
Past due 61 - 90 days	3,123	2,027
Past due more than 90 days	922	1,165
	220,699	228,681

**B8. Profit/ (Loss) on Sale of Unquoted Investment and /or Property**

There was no sale of unquoted investments or properties during the current financial period under review.

**B9. Purchase or Disposal of Quoted Securities Other Than Securities in Existing Subsidiaries and Associated Company**

During the current financial period ended 31 March 2019, the Group has disposed its investment in quoted securities for a net cash consideration of RM9,530 and the disposal gave rise to a gain of RM1,422.

**B10. Status of Uncompleted Corporate Announcement****(i) Proposed Listing of SMT Industries Co., Ltd (“SMTI”)**

On 25 March 2016, an announcement was made by M&A Securities Sdn. Bhd. that the Company proposes to undertake the listing of SMTI, a wholly owned subsidiary of EGIB on the Market for Alternative Investment (“Mai Market”) of the Stock Exchange of Thailand (“Proposed Listing”). The Company will engage several advisers to undertake the Proposed Listing and announcement will be made upon finalization of appointment at a later date.

The Proposed Listing is still in progress.



**B10. Status of Uncompleted Corporate Announcement (Cont’)**

**(ii) Acquisition of Leasehold Land and Factory Building**

On 30 August 2018, the Group entered into a Sale and Purchase Agreement ("SPA") with S&O Electronics (Malaysia) Sdn. Bhd. ("S&O" or "Vendor") for the acquisition all that piece of leasehold land held under H.S. (M) 23422 PT 8545, Bandar Sungai Petani, Daerah Kuala Muda, Kedah with an approximately area of 24,200 square meter together with a factory building and a warehouse bearing assessment address at Lot 101-A, Jalan 4, Kawasan Perusahaan Bakar Arang, 08000 Sungai Petani, Kedah, for a total cash consideration of RM12,350,000.

The SPA was completed on 1 October 2018.

Save as disclosed above, there were no other corporate proposals announced but not completed during the quarter under review.

**B11. Group Borrowings and Debt Securities**

**(i) Group borrowings**

	<b>Unaudited As at 31.03.2019 RM'000</b>	<b>Audited As at 30.06.2018 RM'000</b>
(a) Secured		
Bankers' acceptances	102,605	106,377
Term Loan	4,964	7,642
Trade Financing	69,270	61,392
Trust Receipt	14,170	-
Hire Purchase Payable	5,688	8,439
	<u>196,697</u>	<u>183,850</u>
(b) Current	189,599	174,480
Non-current	7,098	9,370
	<u>196,697</u>	<u>183,850</u>
(c) Denominated in Malaysia Ringgit	10,654	20,373
Denominated in US Dollar	186,043	147,770
Denominated in Thai Baht	-	15,707
	<u>196,697</u>	<u>183,850</u>

**(ii) Debt securities – Redeemable Convertible Preference Shares ("RCPS")**

	<b>No. of RCPS (’000)</b>	<b>Amount RM’000</b>
At 1 July 2018	50,573	46,143
Less: Converted during the year	(4,457)	(4,235)
Less: Dividend paid	-	(672)
At 31 March 2019	<u>46,116</u>	<u>41,236</u>
Liability component		3,353
Equity component		<u>37,883</u>
		<u>41,236</u>

**B12. Off Balance Sheet Financial Instruments**

There were no off balance sheet financial instruments as at date of this report.

**B13. Changes in Material Litigation**

The Group is not engaged in any material litigation either as plaintiff or defendant and the Board does not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

**B14. Dividend Declared**

No dividend has been recommended or declared for current quarter and current financial period under review.

**B15. Earnings Per Ordinary Share**

The basic earnings per share for the current financial quarter and financial period have been calculated by dividing the net profit attributable to owners of the Company for the financial quarter and financial period by weighted average number of ordinary shares in issue during the financial quarter and financial period.

	<b>Individual Quarter Ended</b>		<b>Cumulative Quarter Ended</b>	
	<b>Unaudited 31.03.2019</b>	<b>Unaudited 31.03.2018</b>	<b>Unaudited 31.03.2019</b>	<b>Unaudited 31.03.2018</b>
Net profit attributable to owners of the Company (RM'000)	1,756	4,205	11,298	15,897
Weighted average number of ordinary shares outstanding ('000)	266,527	244,181	266,527	244,181
Basic earnings per ordinary share (sen)	0.66	1.72	4.24	6.51
Net profit attributable to owners of the Company (RM'000)	1,756	4,205	11,298	15,897
Weighted average number of ordinary shares outstanding ('000)	266,527	244,181	266,527	244,181
Adjusted for:				
Effect of exercise of warrants ('000)	16,298	57,621	16,298	57,621
Effect of conversion of RCPS ('000)	34,658	-	34,658	-
Adjusted weighted average number of ordinary shares ('000)	317,483	301,802	317,483	301,802
Diluted earnings per ordinary share (sen)	0.55	1.39	3.56	5.27

**B16. Notes to the Statement of Profit or Loss and Other Comprehensive Income**

Profit before tax is stated after charging / (crediting):

	Individual Quarter Ended		Cumulative Quarter Ended	
	Unaudited 31.03.2019	Unaudited 31.03.2018	Unaudited 31.03.2019	Unaudited 31.03.2018
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	7,413	8,182	23,516	24,701
Interest expense	1,984	1,934	5,494	6,434
Interest income	(15)	(74)	(231)	(447)
Net foreign exchange (gain) / loss	(969)	611	249	1,376
Gain on disposal of property, plant and equipment	(135)	-	(166)	(1)
Gain on disposal of other investment	(1)	-	(1)	-

**B17. Realised or Unrealised Profits of the Group**

The following analysis of realised and unrealised profit of the Group is prepared in accordance with Guidance on Special Matter No. 1. Determination of Realised and Unrealised Profits in the Context of Disclosure pursuant to Bursa Malaysia Securities Berhad's Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	Cumulative Quarter Ended	
	Unaudited 31.03.2019	Audited 30.06.2018
	RM'000	RM'000
Total retained earnings of the Group		
- Realised	124,681	114,944
- Unrealised	(602)	(1,469)
	<u>124,079</u>	<u>113,475</u>
Less: Consolidation adjustments	1,451	757
Total retained earnings	<u>125,530</u>	<u>114,232</u>

The disclosure of realised and unrealised retained earnings above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purposes.

**B18. Utilisation of Proceeds raised from The Completed Rights Issue of Redeemable Convertible Preference Shares ("RCPS")**

On 19 October 2017, the Company has completed the Rights Issue of 52,890,970 RCPS together with 52,890,970 Bonus Shares issued pursuant to the Rights Issue and Bonus Issue respectively and 11,342,586 additional Warrants-C issued pursuant to the Rights Adjustments. ("Rights Issue of RCPS").



**B18. Utilisation of Proceeds raised from The Completed Rights Issue of Redeemable Convertible Preference Shares (“RCPS”) (Cont’)**

The details and status of the utilisation of proceeds of RM50.25 million from the Rights Issue of RCPSs are as follows:

<b>Details</b>	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation 31.03.2019 RM'000</b>	<b>Intended Timeframe of Utilisation (from 19 Oct 2017)</b>
Purchase of property, equipment and machinery	15,000	15,000	Within 18 months
Purchase of raw materials for box-build segment	10,000	10,000	Within 12 months
Expansion of R&D facilities	1,400	1,400	Within 12 months
Acquisition of intellectual property	1,000	1,000	Within 12 months
Repayment of bank borrowings	10,000	10,000	Within 12 months
Acquisition of new businesses or assets	10,000	10,000	Within 24 months
Working capital comprising general operating expenses and salaries	746	746	Within 12 months
Estimated expenses in relation to the Corporate Exercises	2,100	2,100	Within 2 months
	<b>50,246</b>	<b>50,246</b>	

**BY ORDER OF THE BOARD**

DATO' KANG PANG KIANG  
GROUP CHIEF EXECUTIVE OFFICER/ EXECUTIVE DIRECTOR

30 MAY 2019